

Message Text

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ACTION ARA-10

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CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 TAR-01

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EO 11652: GDS

TAGS: ETRD VE

SUBJ: TRADE ACT EXPECTED TO BE AMENDED

1. (BEGIN UNCLASSIFIED) MORNING PRESS (APRIL 3) GAVE FRONTPAGE COVERAGE TO SENATOR LONG'S NEW POSITION ON GSP FOR VENEZUELA AND ECUADOR. EL UNIVERSAL HEADLINE STATES "NEW POSITION IN U.S. SENATE VIRTUALLY ASSURES TARIFF PREFERENCES FOR VENEZUELA AND ECUADOR." HEADLINE REFERS TO AP ARTICLE DATED WASHINGTON, APRIL 2, STATING THAT SENATOR RUSSELL B LONG, CHAIRMAN OF SENATE FINANCE COMMITTEE, HAS CHANGED HIS MIND CONCERNING THE AMENDMENT TO THE TRADE REFORM ACT WHICH DENIED GSP BENEFITS TO ALL OPEC COUNTRIES. REPORT STATES THAT ACCORDING TO CONGRESSIONAL SOURCES LONG IS NOW WILLING TO SUPPORT LEGISLATION WHICH WOULD GRANT GSP TO VENEZUELA AND ECUADOR.

2. LONG'S CHANGE OF MIND IS ATTRIBUTED TO THE VISIT MADE BY ROBERT BEST, THE COMMITTEE'S ECONOMIC ADVISOR, TO VENEZUELA TWO MONTHS AGO. ACCORDING TO THE REPORT, BEST BECAME CONVINCED THAT THE RISKS OF THE RESTRICTIONS AGAINST VENEZUELA WERE GREATER THAN THE BENEFITS US MAY GAIN. THE REPORT ADDS, HOWEVER, CONFIDENTIAL

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THAT THE STATE DEPARTMENT PREFERS THAT CONGRESS APPROVE AN

AMENDMENT WHICH WOULD GIVE PRESIDENT FORD AUTHORITY TO APPLY RESTRICTIONS AGAINST OPEC WHEN HE DEEMS THEM FIT.

3. (BEGIN CONFIDENTIAL) COMMENT: DESPITE THE INITIAL EUPHORIA BY PRESS THAT EXCLUSION OF VENEZUELAN AND ECUADOR FROM GSP WILL BE LIFTED, THERE IS NO ASSURANCE THAT GOV WILL BE MOLLIFIED OVER ISSUE OR BE LESS OBSTREPEROUS IN THE OAS OR OTHER INTERNATIONAL FORUMS. AS REPORTED PREVIOUSLY, ONE OF THE MAIN OBJECTIONS BY SOME GOV OFFICIALS TO THE TRADE REFORM ACT AS A WHOLE IS THAT IT GIVES THE US PRESIDENT AN AX TO HOLD OVER THE HEADS OF THE LDC'S. THUS AN AMENDMENT AUTHORIZING THE PRESIDENT TO APPLY RESTRICTIONS AGAINST OPEC COUNTRIES WOULD MOST CERTAINLY RANKLE THE GOV AND COULD NEGATE ANY GOODWILL WHICH MIGHT OTHERWISE BE DERIVED FROM THE LIFTING OF THE GSP EXCLUSION.

4. EVEN IF THE ELIMINATION OF THE GSP EXCLUSION WERE TO BE UNCONDITIONAL FOR VENEZUELA, THE GOV CANNOT AFFORD TO APPEAR SATISFIED, LET ALONE GRATEFUL, BECAUSE OF THE POSSIBLE ADVERSE EFFECTS ON ITS RELATIONS WITH OPEC OR THE LDC'S. IN OPPOSING THE TRADE REFORM ACT IN GENERAL AND THE GSP EXCLUSION IN PARTICULAR, PRESIDENT PEREZ ASSUMED A LEADERSHIP ROLE BY TAKING UP THE BANNER OF ALL PRIMARY PRODUCT PRODUCERS IN THEIR "JUST" FIGHT TO OBTAIN ADEQUATE TERMS OF TRADE VIS A VIS THE INDUSTRIAL CONSUMERS. THUS VENEZUELA MOST CERTAINLY WILL SEEK TO AVOID THE APPEARANCE OF AN ATTITUDE OF "I'M ALL RIGHT, JACK..." EVEN IF ITS INCLUSION IN THE GSP IS FELT TO BE HELPFUL IN ITS LONG TERM PLANS FOR PROMOTION OF NON-TRADITIONAL EXPORTS.
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